

STATE OF MICHIGAN
DEPARTMENT OF CONSUMER AND INDUSTRY SERVICES
OFFICE OF FINANCIAL AND INSURANCE SERVICES

Before the Commissioner of the Office of Financial and Insurance Services

In the matter of:

IGLO-Tel, Inc.
1452 Randolph Street
Detroit, MI 48226
Dr. Karl Brose, President
Gary Rasmussen, Co-founder
John Wimsatt, Co-developer of Fonefriend
Francois Van Der Hoeven, Founder of NU Quest International, Inc.

FoneFriend Systems, Inc.
701 Palomar Airport Rd. Suite 300
Carlsbad, CA 92009
Gary Rasmussen, Beneficial Owner
Francois Van Der Hoeven, Vice President

Respondents

Issued and entered
this 18th day of November, 2003
by Linda A. Watters
Commissioner

ORDER TO CEASE AND DESIST

The Office of Financial and Insurance Services (OFIS) of the Michigan Department of Consumer and Industry Services, pursuant to the Administrative Procedures Act of 1969, 1969 PA 306, as amended; MCL 24.201 *et seq.*; the Michigan Uniform Securities Act, 1964 PA 265, as amended; MCL 451.501 *et seq.* (Act), and the rules promulgated under the act, provides:

I.

BACKGROUND

1. The Office of Financial and Insurance Services received a complaint regarding FoneFriend, Inc.
2. FoneFriend is a subsidiary of Iglo-Tel, Inc. Iglo-Tel is a subsidiary of Interglobal Capital Corporation.
3. FoneFriend is in the business of selling services that allow consumers to make phone calls over the internet.
4. Complainant invested \$10,000 in Iglo-Tel in exchange for 2,000 shares of the company.
5. Those shares were offered by Karl Brose.
6. Complainants were told or led to believe that their investment in Iglo-Tel would provide an opportunity for Complainants to invest in Mr. Brose's affiliated company FoneFriend.
7. Complainants have attempted to contact Mr. Brose regarding this investment, but have been unsuccessful.
8. Complainants now believe the company is out of business. The phone number listed on Brose's letterhead has been disconnected, and messages left on Brose's toll-free phone number have not been returned.
9. The securities division in Wisconsin has taken administrative action against Brose and his affiliated associates and company FoneFriend Systems, Inc. (aka FeneFriend, Inc.)

10. Our investigation revealed documents which link some of the principals of FoneFriend, Inc. to Respondent Brose.
11. Those persons are Gary Rasmussen, Francis Van Der Hoeven, and John Wimsatt.
12. A search of the records of OFIS and NASD (National Association of Securities Dealers) revealed that none of the Respondents, except Gary A. Rasmussen were registered.
13. Respondent Rasmussen (CRD# 371224) is not registered with any firm and has no authority to conduct securities transactions in Michigan.
14. The sale or offer to sell stock or shares to the public is activity that requires the issuer to be registered or the securities to be exempt.
15. The shares of Iglo-Tel offered and sold in conjunction with FoneFriend were not an exempt security, and Iglo-Tel, Inc., FoneFriend Systems, Inc. and FoneFriend, Inc. were not registered or authorized to conduct business in Michigan.
16. The Respondents were not registered as broker-dealers or investment advisors in Michigan.
17. “15 day requests for information” were sent to Respondents, they were all returned marked “return to sender-undeliverable as addressed”, “unclaimed”, or “attempted- not known”.

II.

CONCLUSIONS OF LAW

ORDER TO CEASE AND DESIST PURSUANT TO MCL 451.501

Based on the investigation findings set forth in that background above:

1. Respondents, at all times material herein, made untrue statements of material facts to their investors by failing to state that neither they, nor their securities were registered with the State of Michigan.
2. Section 101(2) of the Act, MCL 451.501(2) provides that it is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading.
3. **IT IS THEREFORE ORDERED**, Respondent shall immediately **CEASE AND DESIST** from making untrue statements of material fact, or omissions of material fact in connection with offering to sell or selling securities in and from the State of Michigan.

ORDER TO CEASE AND DESIST PURSUANT TO MCL 451.601(a)

Based on the investigation findings set forth in the background above:

1. Respondent, at all times material herein, was not registered by OFIS as a broker-dealer or agent, or as a National Association of Securities Dealers (NASD) registered representative.

2. Section 201 of the Michigan Uniform Securities Act, (Act), MCL 451.601, prohibits a person from transacting business in this state as a broker-dealer or agent unless they are registered under this Act.
3. **IT IS THEREFORE ORDERED**, Respondent shall immediately **CEASE AND DESIST** from transacting business in this state as a broker-dealer or agent without being registered under the act and from offering to sell or selling unregistered securities in and from the State of Michigan.

ORDER TO CEASE AND DESIST PURSUANT TO MCL 451.601(c)

Based on the investigation findings set forth in the background above:

1. Respondent, at all times material herein, told Complainants, or led them to believe that their investment in Iglo-Tel would provide an opportunity for Complainants to invest in Mr. Brose's affiliated company FoneFriend.
2. This action constitutes the giving of investment advice in which Respondent advised Complainant that the securities they were offering for sale were valuable and would lead to more investment opportunities.
3. Section 601(c) prohibits a person from acting as a investment adviser in this state with out registration.
4. **IT IS THEREFORE ORDERED**, Respondents and their officers, directors, employees, and agents shall immediately **CEASE AND DESIST** from:
 - a. Engaging in the business of advising others, either directly or through publications or writings, as to the value of securities, or as to the advisability of investing in, purchasing, or selling securities, or issuing or promulgating analyses or reports concerning securities, or acting as

a finder in conjunction with the offer, sale, or purchase of a security in this state unless:

1. the person is registered under the Act
2. the person is registered as a broker-dealer without the imposition of a condition under section 204(b)(5)
3. the person's only clients in the state are insurance companies, federally covered advisers, banks, or trust companies,
4. the person is an investment adviser who is not required to register under the investment advisers act of 1940, or
5. the person's only clients in this state are individuals who access the person's services through a 1-900 or toll-free telephone number and the services are generic in nature and not customized or specific to an individual and would not otherwise be considered the offering of investment advice.

ORDER TO CEASE AND DESIST PURSUANT TO MCL 451.701

Based on the investigation findings set forth in the background above:

1. Respondents, at all times material herein, were selling securities that were not registered as required pursuant to the Act.
2. Section 301 of the Act, MCL 451.701 provides that it is unlawful for any person to offer or sell any security in this state unless one of the following is met:

1. it is registered under the act
2. the security or transaction is exempted under section 402
3. the security is a federally covered security

3. IT IS THEREFORE ORDERED, Respondent shall immediately **CEASE AND DESIST** from offering or selling any security in the State of Michigan unless it is registered under the act and from offering to sell or selling unregistered securities in and from the State of Michigan.

III.

RIGHT TO HEARING AND PENALTIES

1. Failure to comply with this ORDER will subject you to one or more of the following:
 - a. A civil penalty of not more than \$1,000 for each violation of this
act, but not to exceed a total of \$10,000.
 - b. A criminal penalty of not more than \$25,000 for each violation, or
imprisonment of not more than 10 years, or
both.
2. You may file with the Administrator within 15 days after service of this order a written request for a hearing. The Administrator, within 15 days after your filing, shall issue a notice of hearing and set a date for the hearing. Any request for a hearing should be addressed to: the Office of Financial and Insurance Services,

Attention: Hearing Coordinator Dawn Kobus, P.O. Box 30220, Lansing,
Michigan 48909.

3. If you do not request a hearing, or it is not ordered by the Administrator within 15 days, this Order will stand as entered and will be FINAL.
4. It is important to understand that any statements that you present in response to this Order may be used against you at a hearing. It is also important to understand that you have the right, at your own expense, to have an attorney assist you at a hearing.
5. Any other communication regarding this Order should be addressed to the Office of Financial and Insurance Services, Attention: Karen Porter, P.O. Box 30220, Lansing, Michigan 48909.

MICHIGAN DEPARTMENT OF
CONSUMER AND INDUSTRY SERVICES

By:_____

Linda A. Watters, Commissioner
Office of Financial and Insurance Services

APPLICABLE LAW AND PENALTIES

Section 201 of the Michigan Uniform Securities Act, (Act), MCL 451.601 provides:

- (a) a person shall not transact business in this state as a broker-dealer or agent unless they are registered under this Act.
- (b) a person shall not transact business in this state as an investment advisor unless the person meets 1 or more of the following:
 - 1. the person is registered under the act
 - 2. the person is registered as a broker-dealer without the imposition of a condition under section 204(b)(5)
 - 3. the person's only clients in this state are insurance companies, federally covered advisors, banks, or trust companies
 - 4. the person is an investment advisor who is not required to be registered as an investment advisor under the investment advisers act of 1940 if certain conditions apply
 - 5. the person's only clients in this state are individuals who access the person's services through a 1-900 or toll-free number and the services are generic in nature and not customized or specific to an individual and would not otherwise be considered the offering of investment advice.

Section 301 of the Act, MCL 451.701, provides:

it is unlawful for any person to offer or sell any security in this state unless 1 of the following is met:

- (1) It is registered under the Act
- (2) The security or transaction is exempted under Section 402 of the act
- (3) The security is a federally covered security.

Section 101(2) of the Act, MCL 451.501(2), provides:

it is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading.

Section 401 of the Act, MCL 451.807, states that the administrator may, in its discretion:

- b. make such public or private investigations within or outside of this state as it deems necessary to determine whether any person has violated or is about to violate any provision of this act or any rule or order hereunder, or to aid in the enforcement of this act or in the prescribing of rules and forms hereunder.
- c. May require or permit any person to file a statement in writing, under oath or otherwise as the administrator determines, as to all the facts and circumstances concerning the matter to be investigated.
- d. May publish information concerning any violation of this act or any rule or order hereunder.

(b) For the purpose of any investigation or proceeding under this act, the administrator, or any officer designated by it, may administer oaths and affirmations, subpoena witnesses, compel their attendance, take evidence and require the production of any books, papers, correspondence, memoranda, agreements or other documents or records which the administrator deems relevant or material to the inquiry.

Section 408, MCL 451.808 provides:

(a) whenever it appears to the administrator that any person has engaged or is about to engage in any act or practice constituting a violation of any provision of this act or any rule or order hereunder, it may in its discretion issue a cease and desist order or bring an action in a circuit court to enjoin the acts or practices and to enforce compliance with this act or any rule or order hereunder.

(b) A person who has been ordered to cease and desist may file with the administrator within 15 days after service on him or her of the order a written request for a hearing. The administrator within 15 days after the filing shall issue a notice of hearing and set a date for the hearing. If a hearing is not requested by the person or is not ordered by the administrator within 15 days, the order will stand as entered. The administrator shall hold the hearing in accordance with the administrative procedures act of 1969, Act No. 306 of the Public Acts of 1969, as amended, being sections 24.201 to 24.328 of the Michigan Compiled Laws, and shall have all the powers granted thereunder. The administrator shall issue a decision sustaining, modifying, or dismissing the original order.

(d) None of the remedies provided for in this act are mutually exclusive and the administrator in its discretion may use as many remedies as it deems necessary. The administrator in seeking a remedy shall consider the present actions and the possibility of future violations by the parties against whom proceedings are contemplated, together with actions taken to mitigate harm to

the public. The administrator may impose a civil penalty of not more than \$1,000.00 for each violation of this act, not to exceed a total of \$10,000.00.

Section 409 of the Act, 451.809 states:

- (a) any person who willfully violates section 101, 102, 103, 201, 203(h), 301(1), or (2), 402, 405(b), or 406(b), or who engages in conduct prohibited by section 204(a)(1)(J) to (S) and (V) to (Z), or who willfully violates section 404 knowing the statement made to be false or misleading in any material respect, shall upon conviction be fined not more than \$25,000 for each violation, or imprisoned not more than 10 years, or both.

APPLICABLE LAW AND PENALTIES

Section 201 of the Michigan Uniform Securities Act, (Act), MCL 451.601 provides:

a person shall not transact business in this state as a broker-dealer or agent unless they are registered under this Act.

Section 301 of the Act, MCL 451.701, provides:

it is unlawful for any person to offer or sell any security in this state unless 1 of the following is met:

- (4) It is registered under the Act
- (5) The security or transaction is exempted under Section 402 of the act
- (6) The security is a federally covered security.

Section 101(2) of the Act, MCL 451.501(2), provides:

it is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading.

Section 201(c) of the Act, MCL 451.601(c), provides:

a person shall not transact business in this state as an investment adviser unless the person meets 1 or more of the following:

1. the person is registered under this act
2. the person is registered as a broker-dealer without the imposition of a condition under 204(b)(5)
3. the person's only clients in the state are insurance companies, federally covered advisers, banks, or trust companies.
4. the person is an investment advisor who is not required to be registered as an investment adviser under the investment advisers act of 1940.
5. the person's only clients in this state are individuals who access the persons services through a 1-900 or toll free number and the services are generic in nature and not customized or specific to an individual and would not otherwise be considered the offering of investment advice.

Section 401 of the Act, MCL 451.807, states that the administrator may, in its discretion:

- e. make such public or private investigations within or outside of this state as it deems necessary to determine whether any person has violated or is about to violate any provision of this act or

any rule or order hereunder, or to aid in the enforcement of this act or in the prescribing of rules and forms hereunder.

- f. May require or permit any person to file a statement in writing, under oath or otherwise as the administrator determines, as to all the facts and circumstances concerning the matter to be investigated
- g. May publish information concerning any violation of this act or any rule or order hereunder

(b) For the purpose of any investigation or proceeding under this act, the administrator, or any officer designated by it, may administer oaths and affirmations, subpoena witnesses, compel their attendance, take evidence and require the production of any books, papers, correspondence, memoranda, agreements or other documents or records which the administrator deems relevant or material to the inquiry.

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(b) A person who has been ordered to cease and desist may file with the administrator within 15 days after service on him or her of the order a written request for a hearing. The administrator within 15 days after the filing shall issue a notice of hearing and set a date for the hearing. If a hearing is not requested by the person or is not ordered by the administrator within 15 days, the order will stand as entered. The administrator shall hold the hearing in accordance with the administrative procedures act of 1969, Act No. 306 of the Public Acts of 1969, as amended, being sections 24.201 to 24.328 of the Michigan Compiled Laws, and shall have all the powers granted thereunder. The administrator shall issue a decision sustaining, modifying, or dismissing the original order.

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